

Message Text

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PAGE 01 ZAGREB 00107 051608Z

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ACTION XMB-07

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AMEMBASSY BELGRADE

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PASS EXIM FOR ACTING CHAIRMAN SAUER

E.O. 11652: N/A

TAGS: EFIN, ETRD, YO, US

SUBJECT: BAKAR COKE PLANT

REF: ZAGREB 0026

SUMMARY: CHIEF FINANCE OFFICER KOPPERS, VICE PRESIDENT CAPONE, URGES ACTING EXIM BANK CHAIRMAN BE INFORMED OF KEY ROLE THAT FINANCING PLAYS IN AWARD BAKAR COKE PLANT CONTRACT WHICH OFFERS IMMEDIATE PROSPECT \$44 MILLION IN US EXPORTS PLUS SUBSTANTIALLY MORE OVER LONGER TERM THROUGH EXPORT COKING COAL AND POSSIBLY SECOND BATTERY COKE OVENS. CAPONE BELIEVES THAT EXTENSION TERM US FINANCING FROM "3 PLUS 10" TO "3 PLUS 12" SHOULD BE SUFFICIENT HAVE US BID WIN AGAINST WEST GERMANS, WHO REPORTEDLY OFFERING "3 PLUS 15." DECISION ON BID MAY BE VERY SOON.
END SUMMARY

1. CHARGE JOHNSON AND CG WILSON VISITED SISAK IRONWORKS MORNING JAN 25 PRIOR THAT DAY'S DOW-OKI JOINT-VENTURE SIGNING IN ZAGREB. IN CONVERSATION WITH IRONWORKS VICE PRESIDENT IVO LIPOVAC (PRESIDENT VEBER AWAY), CHARGE EXPRESSED FULL SUPPORT FOR KOPPERS' LIMITED OFFICIAL USE

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PAGE 02 ZAGREB 00107 051608Z

BID ON BAKAR COKE PLANT PROJECT. LIPOVAC SAID FIELD OF BIDDERS

BEING NARROWED FROM SIX TO THREE, WITH KOPPERS, STILL (FRG), AND OTTO (FRG) REMAINING IN RACE. IN REPLY TO CHARGE'S QUESTION AS TO COMPETITIVENESS KOPPERS BID, LIPOVAC SAID IT POSSIBLY "A LITTLE HIGHER IN PRICE, BUT THIS NOT NECESSARILY DECISIVE." LIPOVAC CONTINUED THAT DECISION COULD COME SHORTLY AND THAT DETAILED KOPPERS' BID, WHICH HE HAD JUST RECEIVED, WOULD BE "CAREFULLY STUDIED."

2. IN RECENT DAYS SENIOR KOPPERS REPRESENTATIVES HAVE BEEN FOLLOWING UP ON BAKAR BID. DURING VISIT TO POST FEB 4, KOPPERS CHIEF FINANCIAL OFFICER AND TREASURER, A. WILLIAM CAPONE, AND KOPPERS TECHNICAL DIRECTOR FOR ENGINEERING AND CONSTRUCTION, W. H. MOFFETT, STRESSED THAT DECISION ON PROJECT COULD COME WITHIN WEEK. THEY MADE VERY CLEAR THEIR BELIEF THAT KOPPERS CAN GET BID IF FINANCING CAN BE ADJUSTED TO PROVIDE FOR THREE-YEAR GRACE PERIOD TO BE FOLLOWED BY TWELVE- RATHER THAN TEN-YEAR PAYMENT PERIOD. THIS CONNECTION, CAPONE CONFIDENT THAT, IF EXIM WILL EXTEND ITS PAYMENT PERIOD FROM FIVE TO SIX YEARS, MELLON BANK WILL DO THE SAME. CAPONE ADDED SISAK OFFICIALS STRESSING THAT FINANCING "CRUCIAL" WHILE CONSIDERING KOPPERS' BID "TECHNICALLY MOST COMPLETE." CAPONE UNDERSTANDS THAT GERMANS OFFERING "3 PLUS 15" FINANCING TERMS. POST ALSO HAS SIMILAR INFORMATION RE GERMAN FINANCING TERMS FROM NON-YUGOSLAV SOURCES HERE. ADDITIONALLY, POST HAS CONFIRMATION "CRITICAL" IMPORTANCE FINANCING FROM SISAK IRONWORKS IMPORT DIRECTOR MILITARIU.

3. CAPONE AND MOFFETT CONSIDER GERMANS "TOUGH, COMPETITIVE" COMPETITORS, BUT CONFIDENT THAT KOPPERS, WHICH HAS BUILT 75 PER CENT OF US COKERIES, HAS FOLLOWING ADVANTAGES TO BID: (A) BEST AS FAR AS POLLUTION CONTROL AND ENVIRONMENTAL PROTECTION CONCERNED (BAKAR IN HEART OF TOURISTIC ZONE); (B) AMERICAN COMPANY IN FAR STRONGER POSITION HELP ASSURE LONG-TERM DELIVERIES COKING COAL THAN FRG FIRMS; (C) KOPPERS, AS LEADING TAR PROCESSOR, IS IN POSITION BUY BACK SEVERAL MILLION DOLLARS ANNUALLY IN COKE-PLANT BY-PRODUCTS. ADDITIONALLY, ACCORDING CAPONE, KOPPERS PREPARED CONSIDER JOINT VENTURE IN YUGOSLAVIA FOR TAR-DISTILLATE PLANT. THIS COULD SUBSEQUENTLY INCLUDE ELECTRODE PRODUCTION FOR YUGOSLAVIA'S ALUMINUM PLANTS.

4. MARTIN JAKUBIN, ASSISTANT GENERAL DIRECTOR, UDRUZENJA BANKA LIMITED OFFICIAL USE

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PAGE 03 ZAGREB 00107 051608Z

HRVATSKA (ASSOCIATED BANK OF CROATIA), WHO SPEAKS VERY GOOD ENGLISH AND WHO VISITED WASHINGTON RECENTLY CONNECTION KRSKO PROJECT AND WHO IS FORMER FINANCIAL OFFICER AT SISAK IRONWORKS, REPORTEDLY IS KEY FIGURE REGARDING FINANCING BAKAR PROJECT.

5. IN VIEW EXCELLENT LONG-TERM COMMERCIAL PROSPECTS AS WELL AS VERY SUBSTANTIAL SALE US EQUIPMENT AND ENGINEERING INVOLVED BAKAR PROJECT, US MISSION RECOMMENDS EXIM GIVE FULL CONSIDERATION

KOPPERS' REQUEST EXTENSION TERMS ENABLE "3 PLUS 12" RATHER
THAN "3 PLUS 10" REPAYMENT SCHEDULE.
WILSON

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